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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 003842

SIPDIS

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TAGS: [ELTN](#) [ETRD](#) [IZ](#) [PREL](#) [TU](#)

SUBJECT: SOMO DRAWS DOWN ARREARS TO TURKISH COMPANIES,
PROGRESS ON TRUCKER SECURITY ISSUES

REF: A. BAGHDAD 2688

[B](#). ADANA 129

[C](#). ANKARA 3180

Classified By: CDA Nancy McEldowney. Reasons 1.5 (b) and (d)

[1](#). (C) Summary. Iraq's State Oil Marketing Organization, SOMO, has made progress in drawing down arrears to Turkish oil products suppliers and has signed new contracts for 4.9 million tons of oil products to be delivered during the second half of this year. The Turks and Iraqis are also actively discussing and making progress on trucker security issues, with an agreement to hold technical meetings this month on communications and second border gate issues. The U.S. has played a useful role synergizing Iraqi-Turkish communication on these important issues and post would see little benefit from more direct U.S. intervention at this time. End Summary.

Progress on SOMO Arrears

[2](#). (SBU) MFA officials responsible for economic relations with Iraq told Charge and ECON/C in separate June 30 meetings that SOMO had reduced its arrears to its Turkish suppliers of oil products by \$453 million in recent weeks. They had confirmed this information with the Turkish companies. The officials said this left a total \$500 million due from SOMO to Turkish companies, but they did not know how much of this was arrears (or new arrears since the \$840 million total reported in ref c).

[3](#). (SBU) The MFA also confirmed that SOMO's new Director General signed contracts June 24 in Istanbul with 36 Turkish companies for an additional 4.9 million tons of oil products to be delivered between July and December 2005. As part of the agreement, SOMO agreed with the companies to clear all remaining arrears by end-July. MFA was impressed by the size of SOMO's requirements (800,000 tons per month), but was skeptical on SOMO's ability to keep current on payments. They noted that the financial situation of some of the Turkish companies remains precarious due to the earlier arrears.

Bilateral Trucker Security Meeting

[4](#). (C) The MFA economic department also passed on a readout of June 22-23 Iraq-Turkey meetings on trucker security held in Ankara. They said the initiative to hold a new meeting had come from the Iraqis and was a follow-up to the bilateral meetings in November and December. The Iraqi delegation was led by the ambassador to Ankara and included representatives of the ministries of oil, transportation, interior, defense, foreign affairs, and customs officers from the Ibrahim Khalil border station (counterpart of Habur). The Turkish delegation was led by MFA and included a range of technical agencies.

[5](#). (C) Secure Parking Facilities: The two sides agreed to shelve an earlier Iraqi request that Turkey build secure parking facilities on the "alternative route" from the border to Baghdad (Habur-Dohuk-Irbil-Altinkopru-Kerkuk-Khalis-Baghdad). According to MFA, Turkish truckers said they would avoid such sites for security reasons, and Turkish contractors were not ready to take the security risk of building them.

[6](#). (C) Increased Security on Main Route: The Turks requested that security be increased on the main southbound route (Habur-Dohuk-Mosul-Baghdad) by building new observation posts and strengthening existing ones, as well as by increasing the number of escorts and patrols. The Iraqis said they would do as much as they could, but cautioned that the alternative route, which avoids Mosul, was currently safer.

[7](#). (C) Communications System: This was the most important topic for the Turks. The two sides discussed the possibility of Turk Telecom operating GSM towers in Iraq with Iraqi security and "roaming" agreements linking Turkish and Iraqi cell networks. The Iraqis promised to get back to the Turks and agreed to hold an experts meeting "as soon as possible"

(Turks hope for July).

18. (C) Insurance Documentation: The Turks renewed their request for Iraqi contact points able to provide official documentation needed for insurance purposes when Turkish vehicles were lost or damaged in Iraq.

19. (C) Second Gate: MFA said there was "one sentence" in the minutes of the meeting referring to the need for a second border crossing. However, there was an agreement to hold an experts meeting "soon" (again, hopefully in July) to identify and break down the issues involved. Charge and ECON/C noted that Iraq had formally told us it would welcome a U.S. financed feasibility study, but the MFA officials said they were still only willing to consider the Ovakoy route. In the meeting with Charge, Deputy Under Secretary Ender Arat identified "Barzani" as the main obstacle to agreement on this route and reiterated willingness to compensate him for any revenues lost by a new route from Ovakoy, part of which would still pass through KDP territory.

Comment

110. (C) The MFA appreciated the "proactive" assistance from the United States, but tempered the good news on SOMO arrears and new orders with skepticism that the company would follow through on its promise to pay the \$500 million remaining due by the end of July. The two sides seem to be communicating well on trucker security issues. It seems to post that unless requested by the two sides, a second trilateral meeting including the U.S. would add little to this ongoing process.

MCELDOWNEY